

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2017/2018

DMG5038 – MANAGEMENT ACCOUNTING

(For Diploma Students Only)

24 OCTOBER 2017

9.00 a.m. – 11.00 a.m.

(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 6 pages with 5 Questions only.
2. Answer **ALL** questions. All questions carry equal marks.
3. Write your answers in the answer booklet provided.

QUESTION 1**Part A**

Selected account balances of White House Manufacturing Company appears below for the year 2016:

	<u>Beginning of Year</u>	<u>End of Year</u>
Finished Goods Inventory	RM15,000	RM 17,000
Work in Process Inventory	22,000	21,000
Raw Materials Inventory	13,000	19,000
Sales		380,000
Direct Labour		43,000
Factory Supervisory Salaries		17,000
Income Tax Expense		32,000
Factory Insurance		18,000
Raw Material Purchases		93,000
Administrative Expenses		12,000
Sales Returns and Allowances		3,000
Factory Depreciation		8,000
Indirect Labour		14,000
Selling Expenses		44,000

Instructions:

- (a) Prepare a schedule of cost of goods manufactured for White House Manufacturing Company for the year ended 31 December 2016. (9 marks)
- (b) Prepare computation of cost of goods sold for White House Manufacturing Company for the year ended 31 December 2016. (3 marks)
- (c) Prepare a Statement of Comprehensive Income through net income for White House Manufacturing Company for the year ended 31 December 2016. (4 marks)

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Part B

Presented below is a list of costs and expenses incurred in R-Way Corporation's factory, a manufacturer of recreational vehicles.

- 1. Property taxes on the factory land
- 2. Nails and glue used in production
- 3. Recreational vehicle maker's wages
- 4. Factory supervisors' salaries
- 5. Metal used in manufacturing
- 6. Depreciation on factory machines
- 7. Factory utilities
- 8. Carpeting for the recreational vehicles

Instructions:

Classify the above items into the following categories: direct materials, direct labour or manufacturing overhead. (4 marks)

[TOTAL 20 MARKS]

QUESTION 2

MF Rich Manufacturing Company applies overhead on the basis of direct labour costs. The company estimates annual overhead costs will be RM760,000, and annual direct labour costs will be RM950,000. During February, MF Rich Manufacturing Company works on two jobs: AA16 and BB17. Summary data concerning these jobs are as follows.

Manufacturing Costs Incurred

Purchased RM54,000 of raw materials on account.

Factory labour RM76,000, plus RM4,000 employer payroll taxes.

Manufacturing overhead exclusive of indirect materials and indirect labour RM59,800.

Assignment of Costs

Direct materials: Job AA16 RM27,000, Job BB17 RM21,000

Indirect materials: RM3,000

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Direct labour: Job AA16 RM52,000, Job BB17 RM26,000

Indirect labour: RM2,000

During the month, the company completed Job AA16 and sold it on account for RM150,000. Job BB17 was only partially completed.

Instructions:

- (a) Compute the predetermined overhead rate. (2 marks)
- (b) Journalize the February transactions. (13 marks)
- (c) Determine the amount of under or over applied manufacturing overhead by using the manufacturing overhead T account. (3 marks)
- (d) Prepare journal entry to close any balance in the manufacturing overhead account to the cost of goods sold account. (2 marks)

[TOTAL 20 MARKS]

QUESTION 3

Part A

Karl Industries produces plastic ice cube trays in two processes: heating and stamping. All materials are added at the beginning of the Heating Department process. Karl uses the weighted-average method to compute equivalent units. On November 1, the Heating Department had in process 1,000 trays that were 70% complete. During November, it started into production 12,000 trays. On November 30, 2016, 2,000 trays that were 60% complete were in process.

The following cost information for the Heating Department were also available.

Work in process, November 1:	Costs incurred in November:		
Materials	RM 640	Material	RM3,000
Conversion costs	<u>360</u>	Labour	2,300
Cost of work in process, Nov. 1	<u>RM1,000</u>	Overhead	4,050

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Instructions:

- (a) Prepare a production cost report for the Heating Department for the month of November 2016. (15 marks)
- (b) Journalize the transfer of costs to the Stamping Department. (1 mark)

Part B

Explain the **FOUR (4)** differences between job order cost system and process cost systems. (4 marks)

[TOTAL 20 MARKS]

QUESTION 4**Part A**

Mala Company makes calculators that sells for RM20 each. For the coming year, management expects fixed costs to total RM220,000 and variable costs to be RM9 per unit.

Instructions:

- (a) Compute the break-even point in units by using the mathematical equation. (3 marks)
- (b) Compute the break-even point in Ringgit Malaysia (RM) by using the contribution margin (CM) ratio. (3 marks)
- (c) Compute the margin of safety percentage assuming actual sales is RM500,000. (1 mark)
- (d) Compute the sales required in Ringgit Malaysia (RM) to earn net income of RM165,000 by using the mathematical equation. (3 marks)

Part B

Larko Company produces golf discs which it normally sells to retailers for RM6 each. The cost of manufacturing 25,000 golf discs is:

Materials	RM10,000
Labour	30,000
Variable overhead	20,000
Fixed overhead	<u>40,000</u>
Total	<u>RM100,000</u>

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Larko also incurs 5% sales commission (RM0.30) on each disc sold.

Rudd Corporation offers Larko RM4.25 per disc for 3,000 discs. Rudd would sell the discs under its own brand name in foreign markets not yet served by Larko. If Larko accepts the offer, its fixed overhead will increase from RM40,000 to RM43,000 due to the purchase of a new imprinting machine. No sales commission will result from the special order.

Instructions:

- (a) Prepare an incremental analysis for the special order. (9 marks)
(b) Explain whether Larko need to accept or reject the special order. (1 mark)

[TOTAL 20 MARKS]

QUESTION 5

Solo Company is preparing its master budget for 2016. Relevant data pertaining to its sales, production, and direct materials budgets are as follows.

Sales:

Quarter	Expected sales unit
Quarter 1	240,000 units
Quarter 2	300,000 units
Quarter 3	360,000 units
Quarter 4	300,000 units

Sales in the first quarter of 2017 is expected to be 10% higher than the budgeted sales for the first quarter of 2016.

Production:

Management desires to maintain the ending finished goods inventories at 25% of the next quarter's budgeted sales volume.

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Direct materials:

Each unit requires 3 kilograms of raw materials at a cost of RM5 per kilogram. Management desires to maintain raw materials inventories at 5% of the next quarter's production requirements. Assume the production requirements for the first quarter of 2017 are 810,000 kilograms.

Instructions:

- (a) Prepare the production budget by quarters for 2016. (8 marks)
(b) Prepare the direct materials budget by quarters for 2016. (12 marks)

[TOTAL 20 MARKS]

[GRAND TOTAL 100 MARKS]